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ACADIANA OPEN CHANNEL, INC.

FINANCIAL REPORT

June 30, 2001

J. L. SOMMER  
*Certified Public Accountant*  
*Lafayette, Louisiana*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection in the Parish Range office of the Legislative Auditor and, where appropriate, in the office of the parish clerk of court.

Release Date 10/24/01

**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

211 BRYANSON BLVD.  
LAKEVIEW, LA 70001

(504) 472-4188  
FAX (504) 554-7344  
E-MAIL: JLS@JLS2000

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Acadiana Open Channel, Inc.

I have audited the accompanying statement of financial position of Acadiana Open Channel, Inc. (AOC), (a non-profit organization) as of June 30, 2001, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AOC as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 7, 2001 on my consideration of AOC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



September 7, 2001

**ACADIANA OPEN CHANNEL, INC.  
STATEMENT OF FINANCIAL POSITION**

**June 30, 2001**

<b>ASSETS</b>	
Cash and cash equivalents	8,193
Certificates of deposit	58,202
Investments	71,394
Due from Lafayette City/Parish	
Consolidated Government	146,667
Prepaid expenses and other assets	9,338
Property plant and equipment, net	<u>168,371</u>
<b>Total assets</b>	<u><b>462,964</b></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	13,090
Deferred revenues	<u>4,167</u>
<b>Total liabilities</b>	<b>17,257</b>
<b>NET ASSETS</b>	
Unrestricted net assets	<u><b>445,707</b></u>
<b>Total liabilities and net assets</b>	<u><b>462,964</b></u>

**See Notes to Financial Statements.**

**ACADIANA OPEN CHANNEL, INC.**  
**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2001**

<b>SUPPORT AND REVENUE</b>	
Lafayette City Parish grant and contract	267,750
Cable TV company grant	50,000
Interest and dividends	8,322
Sales and services	5,425
Other	968
<b>Total support and revenue</b>	<b><u>332,455</u></b>
<b>EXPENSES</b>	
Program services --	
Salaries	112,302
Employee benefits and payroll taxes	20,413
Depreciation	31,917
Repairs and maintenance	9,568
Supplies	8,200
Rent	8,056
Consulting	5,823
Telephone	5,464
Insurance	2,800
Miscellaneous	2,399
Training	2,044
Travel	1,588
	<u>270,566</u>
Administration	62,480
Investment advisory fees	4,792
Unrealized losses on investments	12,058
Realized losses on investments	12,985
<b>Total expenses and losses</b>	<b><u>322,715</u></b>
<b>Increase in unrestricted net assets</b>	<b><u>10,723</u></b>
<b>Net assets, beginning of year</b>	<b><u>434,404</u></b>
<b>Net assets, end of year</b>	<b><u>445,127</u></b>

**See Notes to Financial Statements.**

**ACADIANA OPEN CHANNEL, INC.  
STATEMENT OF CASH FLOWS**

Year Ended June 30, 2000

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

Increase in net assets	10,723
Adjustments to reconcile increase in net assets to net cash provided by (used in) operations -	
Depreciation	31,907
Losses on investment sales	25,008
(Increase) decrease in operating assets	
Due from Lafayette City/Parish government	(146,667)
Prepaid expenses and other assets	929
Decrease (increase) in operating liabilities	
Accounts payable and accrued expenses	9,334
Net cash provided by (used in) operating activities	<u>(68,836)</u>

**CASH FLOWS FROM INVESTING  
ACTIVITIES**

Purchases of equipment	(144,202)
Purchases of investments	(150,808)
Proceeds from investment sales	199,408
Certificate of deposit maturity	55,612
Certificate of deposit purchased	<u>(58,202)</u>
Net cash provided by (used in) investing activities	<u>(68,132)</u>

**INCREASE (DECREASE) IN CASH** **(134,566)**

Cash, beginning of year 143,256

**CASH, END OF YEAR** **8,182**

See Notes to Financial Statements.

**ACADIANA OPEN CHANNEL, INC.  
NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2001**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Acadiana Open Channel, Inc. (AOC) is a Louisiana nonprofit organization. Its purpose is to coordinate the use of public access channels provided by the cable television system in Lafayette, Louisiana. AOC also provides production facilities, technical assistance, and training to individuals, groups and organizations interested in producing non-commercial education, cultural, informational or other community-oriented television programs.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its accounting and audit guide, Not-for-Profit Organizations, and SFAS 117.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," AOC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Contributions**

In accordance with SFAS No. 116 "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Promises to Give**

Contributions are recognized as revenue when the donor makes a promise to give to AOC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2000, there were no unconditional promises to give.

**Allowance for Uncollectibles**

AOC uses the allowance method to determine uncollectible contracts receivable and unconditional promises receivable. The allowance is determined based on prior years' experience and management's analysis of contracts and specific promises made. No allowance was deemed necessary as of June 30, 2001.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ADC has recognized 146,624 of revenue under a contract with the Lafayette City/Parish Government (LCPG) covering the twelve months ending October 31, 2001. Nothing has been received under the contract as of June 30, 2001. If ADC does not comply with the terms of the contract, or, if LCPG has a different interpretation of earnings due ADC under the contract, the estimate could change in the near term.

### **Donated Services**

ADC receives substantial volunteer services. No amounts have been reflected in the statements for donated services because no objective basis is available to measure the value of such services.

### **Property, Plant and Equipment**

Furniture, equipment and household improvements are recorded at cost. Depreciation and amortization is provided over the estimated useful lives on the straight-line basis. Estimated useful lives range from three to ten years. It is ADC's policy to capitalize assets costing 250 dollars or more.

Property, plant and equipment as of June 30, 2001 consisted of office furniture and equipment, household improvements, and production and studio equipment of 35,248, 12,875, and 382,908, respectively. As of that date accumulated depreciation totaled 241,860.

### **Functional Expenses**

Expenses are allocated on a functional basis between program and support services. Expenses that can be identified with a specific program or support service are allocated directly; expenses common to several functions are allocated by various methods.

### **Tax-Exempt Status**

The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

### **Cash**

For purposes of the statement of cash flows, ADC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

### **Dollar Signs**

All numeric data in the financial statements and accompanying notes are presented in U.S. dollars. Dollar signs have been omitted.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **Note 2 - SUPPORT AND REVENUE SOURCES**

AOC receives grants and contributions from various entities. Two major contributors are Telecable Associates, Inc. (acquired by Cox Communications August 9, 1999) and the Lafayette City-Parish Consolidated Government (LCPG). AOC received annual funding from Telecable Associates, Inc. in the amount of \$0,000. Through October 31, 2000, AOC was granted one-half of the Lafayette City-Parish consolidated Government's yearly cable franchise fees in return for coordinating the use of the public access channels as provided for in the Lafayette City-Parish Consolidated Government's agreement with Telecable Associate, Inc.. Subsequent to October 31, 2000, AOC entered into a contract with LCPG whereby they are paid 220,000 annually to provide the above described service.

### **Note 3 - LEASES**

AOC rents office and production facilities from Academic Arts Council, Inc. for 900 per month on a month-to-month basis.

### **Note 4 - CONCENTRATIONS**

For the year ended 2001 approximately 85% of AOC's revenue and support was provided by Telecable Associates, Inc. and the Lafayette City-Parish Consolidated Government (LCPG). If the contracts with Telecable Associates, Inc. and/or LCPG are modified or cancelled, the impact on AOC could be severe.

### **Note 5 - INVESTMENTS**

Investments are stated at fair value and consist of U. S. Treasury notes and bonds (38,838) and common stock (32,358).



**J. L. SONNIER**  
CERTIFIED PUBLIC ACCOUNTANT

2010 PETERS BLVD  
LAKEVIEW, LA 70001

(504) 233-2126  
FAX: (504) 233-1144  
E-MAIL: (504) 984-1055

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Acadiana Open Channel, Inc.

I have audited the financial statements of Acadiana Open Channel, Inc. (AOC), (a nonprofit organization) as of and for the year ended June 30, 2001, and have issued my report thereon dated September 7, 2001. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether AOC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance, which I have included in the accompanying Schedule of Audit Findings as item 2001-1.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered AOC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect AOC's ability to record, process, summarize and report financial data consistent with the assertions of management in financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 2001-2 through 2001-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that item 2001-4 of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, the Louisiana Legislative Auditor, management and others within the organization and is not intended to be used should not be used by anyone other than those specified parties.



September 7, 2001

**ACADIANA OPEN CHANNEL, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2001**

The following indicates the status of audit findings which were reported in Acadiana Open Channel, Inc.'s June 30, 2000 audit.

**Prior Year Findings:**

**Compliance**

There are no findings that are required to be reported under the above.

**Internal Control Over Financial Reporting**

**Investment Policy**

**Findings:**

During the fiscal year ended June 30, 2000, the organization began investing in various securities, including common stocks and government bonds. It is recommended that the Board consider formulating and adopting a written investment policy.

**Status:**

Unresolved. See Item 2000-4.

**ACADIANA OPEN CHANNEL, INC.**  
**SCHEDULE OF AUDIT FINDINGS**  
**June 30, 2001**

**Compliance Findings**

**Finding 2001-1 - Open Meetings Law**

Acadiana Open Channel, Inc. is not presently in compliance with the "open meetings law", LSA-RS 42:1 through 42:13. Management should familiarize themselves with the law and implement policy assuring that it is complied with in the future.

**Management's Response to Finding 2001-1**

Management is presently studying the "open meetings law," and shall implement policy to assure that it is complied with by October 31, 2000.

**Internal Control Findings**

**Finding 2001-2 - Inadequate Segregation of Duties**

Due to the small number of employees necessary to administer AOC's operations, it is not possible to effectively provide adequate segregation of duties. It is therefore important that management mitigate this internal control weakness through review of all payroll and disbursements as well as regular review of financial statements and budget performance.

**Management's Response to Finding 2000-2**

Management is aware of the weakness relative to segregation of duties which is a result of the small staff required to administer AOC's operations. Adding staff is not an economically viable solution, and therefore, management shall continue to monitor payroll and disbursements as well as regularly review financial statements and budget performance.

**Finding 2001-3 - Financial Policies and Procedures**

In May of 1995, management adopted "Financial Policies and Procedures". Several of the policies are not presently being followed, and some of the policies may no longer be appropriate or effective. I recommend that management review the financial policies and procedures, revise them as necessary and monitor their implementation.

**Management's Response to Finding 2001-3**

AOC's Financial Policies and Procedures shall be reviewed, revised as necessary and management shall monitor the implementation of the revised policies and procedures. Management has set a target date of December 31, 2001 for revising and implementing the financial policies and procedures.

**Finding 2000-4 - Investment Policy**

Since May of 2000, AOC has invested in government bonds and common stocks. I recommend that Management develop, adopt and implement a written investment policy. The policy should provide specifics as to the types of investments appropriate based on projections of when the invested funds shall be expended. Additionally, the policy should assign responsibility for ongoing monitoring of investment performance.

**Management's Response to Finding 2001-4**

Management shall develop an investment policy, monitor its implementation and assign responsibility for the monitoring of investment performance. Management has set a target date of December 31, 2000 for developing and implementing the investment policy.